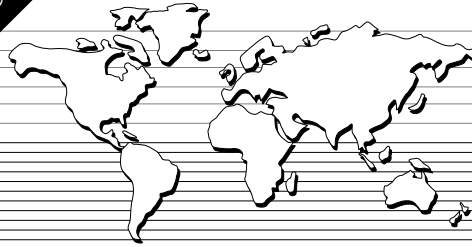




U.S. Department of the Treasury
Office of Foreign Assets Control



IRAQ

What You Need To Know About The U.S. Embargo

An overview of the Iraqi Sanctions Regulations -- Title 31 Part 575 of the U.S. Code of Federal Regulations

■ **INTRODUCTION** - On August 2, 1990, upon Iraq's invasion of Kuwait, former President Bush issued Executive Order No. 12722 declaring a national emergency with respect to Iraq. The order, issued under the authority of the International Emergency Economic Powers Act (50 U.S.C. 1701), the National Emergencies Act (50 U.S.C. 1601), and section 301 of title 3 of the U.S. Code, imposed economic sanctions, including a complete trade embargo, against Iraq. In keeping with United Nations Security Council Resolution 661 of August 6, 1990 and the United Nations Participation Act (22 U.S.C. 287c), the President also issued Executive Order 12724 on August 9, 1990, which imposed additional restrictions. Similar sanctions were imposed on Kuwait to ensure that no benefit from the United States flowed to the Government of Iraq in military-occupied Kuwait. The Iraqi Sanctions Regulations implement Executive Orders No. 12722 and 12724. They were issued and are administered by the Treasury Department's Office of Foreign Assets Control (OFAC). Effective May 23, 2003, OFAC issued the General License which appears below. This general license substantially lifted the economic sanctions with respect to Iraq, but there remain important restrictions explained in the text of the license.

■ **ASSETS BLOCKED** - Effective August 2, 1990, the President blocked all property and interests in property of the Government of Iraq, its agencies, instrumentalities, and controlled entities, in the United States or within the possession or control of U.S. persons. Assets blocked as of May 23, 2003 remain blocked.

Blocked accounts in U.S. financial institutions must earn interest at commercially reasonable rates; funds are not to be held in instruments with a maturity exceeding 90 days. Setoffs against blocked accounts are prohibited. Effective August 29, 2003, the President issued Executive Order 13315, the text of which appears below, blocking property of the former Iraqi regime, its senior officials and their family members.

■ **ORDERLY RECONSTRUCTION OF IRAQ** - On May 22, 2003, President George W. Bush issued Executive Order 13303, protecting the Development Fund of Iraq and the marketing and sale of Iraqi petroleum and petroleum products to assure the orderly reconstruction of Iraq, the restoration of peace and security in the country, and the development of political, administrative, and economic institutions there. It provides immunity from attachment or other judicial process against the Fund or against Iraqi petroleum and petroleum products, and "interests therein, and proceeds, obligations, or any financial instruments of any nature whatsoever," arising from or related to the sale or marketing of Iraqi petroleum or petroleum products.

Criminal penalties for violating the Iraqi Sanctions Regulations range up to 12 years in jail and \$1,000,000 in fines. In addition, civil penalties of up to \$325,000 per violation may be imposed administratively.

If you have information regarding possible violations of any of the regulations, please call the Treasury Department's Office of Foreign Assets Control at 202/622-2430. Your call will be handled confidentially.

SUMMARY OF GENERAL LICENSE

On May 23, 2003, OFAC issued a general license published as new section 575.533 of the Regulations.

Paragraph (a) of section 575.533 authorizes all transactions that are otherwise prohibited by subpart B of the Regulations, with four exceptions addressed in paragraph (b). Paragraph (b)(1) provides that all property and interests in property, including accounts, that were blocked pursuant to subpart B of the Regulations as of the effective date of this section remain blocked and subject to the prohibitions and requirements of the Regulations.

Paragraph (b)(2) provides that the exportation from the United States or, if subject to U.S. jurisdiction, the exportation or reexportation from a third country to Iraq of any goods or technology (including technical data or other information) controlled by the Department of Commerce

under the Export Administration Regulations (15 CFR chapter VII, subchapter C) for exportation to Iraq must be separately authorized by OFAC. The note to paragraph (b)(2) explains the scope of the term "controlled by the Department of Commerce" and requests that exporters and reexporters contact the Department of Commerce, Bureau of Industry and Security, to inquire whether particular goods or technology are so controlled.

Paragraph (b)(3) provides that the general license does not authorize transactions with three classes of persons: (i) Specially-designated nationals or "SDNs" of the Government of Iraq, (ii) persons on the Defense Department's 55-person Watch List, or (iii) persons identified by the 661 Committee pursuant to paragraphs 19 and 23 of United Nations Security Council Resolution 1483, adopted May 22, 2003. To the extent that such transactions would otherwise be prohibited by the Regulations, they remain prohibited.

Paragraph (b)(4) provides that the general license does not authorize transactions with respect to Iraqi cultural property or other items of archaeological, historical, cultural, rare scientific, and religious importance illegally removed from the Iraq National Museum, the National Library, and other locations in Iraq since August 6, 1990. Any trade in or transfer of such items, including items with respect to which reasonable suspicion exists that they have been illegally removed, remains prohibited by subpart B of the Regulations. The note to paragraph (b)(4) refers inquiries concerning particular Iraqi cultural property to the Cultural Property Office at the Department of State.

Paragraph (c) provides that the effective date of the section is May 23, 2003.

Examples of newly-authorized transactions include investment by U.S. persons in Iraq, the importation of goods or services of Iraqi origin (with the exception of the cultural properties described in paragraph (b)(4)), travel related transactions involving Iraq, the transfer of funds to or from Iraq, authorization, however, does not eliminate the need to comply with other provisions of 31 CFR chapter V or with other applicable provisions of law, including any aviation, financial, or trade requirements of agencies other than OFAC. Such requirements include the International Traffic in Arms Regulations (22 CFR chapters 120–130) administered by the Department of State.

FULL TEXT OF THE GENERAL LICENSE

"(Granted under the authority of Section 203 of the International Emergency Economic Powers Act (50 U.S.C. Section 1702), Section 5 of the United Nations Participation Act (22 U.S.C. Section 287c), Executive Order No. 12722 of August 2, 1990, Executive Order No. 12724 of August 9, 1990, and Parts 501 and 575 of Title 31 of the Code of Federal Regulations.)

Section 575.533 Certain new transactions.

(a) New Transactions. Except as provided in paragraph (b) of this section, on or after the effective date of this section, all transactions that are otherwise prohibited by subpart B of 31 CFR part 575 are authorized.

Note to paragraph (a): This authorization does not eliminate the need to comply with other provisions of 31 CFR chapter V or with other applicable provisions of law, including any aviation, financial, or trade requirements of agencies other than the Department of the Treasury's Office of Foreign Assets Control. Such requirements include the International Traffic in Arms Regulations (22 CFR chapters 120-130) administered by the Department of State.

(b) Continued Blocking, Special Provisions for Certain Exports and Reexports, and Additional Conditions. (1) All property and interests in property that were blocked pursuant to subpart B of 31 CFR part 575 as of the effective date of this section remain blocked and subject to the prohibitions and requirements of 31 CFR part 575.

(2) The exportation from the United States or, if subject to U.S. jurisdiction, the exportation or reexportation from a third country to Iraq of any goods or technology (including technical data or other information) controlled by the Department of Commerce under the Export Administration Regulations (15 CFR chapter VII, subchapter C) for exportation to Iraq must be separately authorized by or pursuant to 31 CFR part 575.

Note to paragraph (b)(2): The term "controlled by the Department of Commerce" means subject to a license requirement under the Department of Commerce's Export Administration Regulations (EAR). Items subject to a license requirement under the EAR include items on the Commerce Control List that are listed in section 746.3 of the EAR as requiring a license for exportation or reexportation to Iraq, as well as items and activities that require a license under the end-use and end-user provisions of part 744 of the EAR. To inquire whether particular goods or technology are controlled by the Department of Commerce under the Export Administration Regulations for exportation to Iraq, the exporter or reexporter should contact the Department of Commerce, Bureau of Industry and Security.

(3) This section does not authorize any transactions with (i) persons or organizations determined by the Director of the Office of Foreign Assets Control to be included within 31 CFR Section 575.306, (ii) persons on the Defense Department's 55-person Watch List, or (iii) persons identified by the 661 Committee pursuant to paragraphs 19 and 23 of United Nations Security Council Resolution 1483, adopted May 22, 2003.

Note to paragraph (b)(3): Persons determined by the Director of the Office of Foreign Assets Control to be included within 31 CFR Section 575.306 are also known as specially-designated nationals ("SDNs") of the Government of Iraq. These persons are included in Appendix A to 31 CFR chapter V, and an up-to-date list is maintained on the Office of Foreign Assets Control's website at <<http://www.treas.gov/ofac>>.

(4) This section does not authorize any transactions with respect to Iraqi cultural property or other items of archaeological, historical, cultural, rare scientific, and religious importance illegally removed from the Iraq National Museum, the National Library, and other locations in Iraq since August 6, 1990. Any trade in or transfer of such items, including items with respect to which reasonable suspicion exists that they have been illegally removed, remains prohibited by subpart B of 31 CFR part 575.

(c) Effective Date. This section is effective May 23, 2003. Issued by direction and on behalf of the Secretary of the Treasury:

OFFICE OF FOREIGN ASSETS CONTROL
By R. Richard Newcomb, Director"

EXECUTIVE ORDER 13315: BLOCKING PROPERTY OF THE FORMER IRAQI REGIME, ITS SENIOR OFFICIALS AND THEIR FAMILY MEMBERS, AND TAKING CERTAIN OTHER ACTIONS

"By the authority vested in me as President by the Constitution and the laws of the United States of America, including the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.) (IEEPA), the National Emergencies Act (50 U.S.C. 1601 et seq.), section 5 of the United Nations Participation Act, as amended (22 U.S.C. 287c) (UNPA), and section 301 of title 3, United States Code, in view of United Nations Security Council Resolution 1483 of May 22, 2003, and in order to take additional steps with respect to the situation in Iraq,

I, GEORGE W. BUSH, President of the United States of America, hereby expand the scope of the national emergency declared in Executive Order 13303 of May 22, 2003, to address the unusual and extraordinary threat to the national security and foreign policy of the United States posed by obstacles to the orderly reconstruction of Iraq, the restoration and maintenance of peace and security in that country, and the development of political, administrative, and economic institutions in Iraq. I find that the removal of Iraqi property from that country by certain senior officials of the former Iraqi regime and their immediate family members constitutes one of these obstacles. I further determine that the United States is engaged in armed hostilities and that it is in the interest of the United States to confiscate certain additional property of the former Iraqi regime, certain senior officials of the former regime, immediate family members of those officials, and controlled entities. I intend that such property, after all right, title, and interest in it has vested in the Department of the Treasury, shall be transferred to the Development Fund for Iraq. Such property shall be used to meet the humanitarian needs of the Iraqi people, for the economic reconstruction and repair of Iraq's infrastructure, for the continued disarmament of Iraq, for the costs of Iraqi civilian administration, and for other purposes benefiting the Iraqi people. I determine that such use would be in the interest of and for the benefit of the United States. I hereby order:

Section 1. Except to the extent provided in section 203(b)(1), (3), and (4) of IEEPA (50 U.S.C. 1702(b)(1), (3), and (4)), or regulations, orders, directives, or licenses that may be issued pursuant to this order, and notwithstanding any contract entered into or any license or permit granted prior to the effective date of this order, all property and interests in property of the former Iraqi regime or its state bodies, corporations, or agencies, or of the following persons, that are in the United States, that hereafter come within the United States, or that are or hereafter come within the possession or control of United States persons, are blocked and may not be transferred, paid, exported, withdrawn, or otherwise dealt in:

- (a) the persons listed in the Annex to this order; and
- (b) persons determined by the Secretary of the Treasury, in consultation with the Secretary of State,
 - (i) to be senior officials of the former Iraqi regime or their immediate family members; or
 - (ii) to be owned or controlled by, or acting or purporting to act for or on behalf of, directly or indirectly, any of the persons listed in the Annex to this order or determined to be subject to this order.

Sec. 2. The Secretary of the Treasury, in consultation with the Secretary of State, is authorized to confiscate property that is blocked pursuant to section 1 of this order and that he determines, in consultation with the Secretary of State, to belong to a person, organization, or country that has planned, authorized, aided, or engaged in armed hostilities against the United States. All right, title, and interest in any property so confiscated shall vest in the Department of the Treasury. Such vested property shall promptly be transferred to the Development Fund for Iraq.

Sec. 3. (a) Any transaction by a United States person or within the United States that evades or avoids, has the purpose of evading or avoiding, or attempts to violate any of the prohibitions set forth in this order is prohibited.
(b) Any conspiracy formed to violate any of the prohibitions set forth in this order is prohibited.

Sec. 4. For purposes of this order:

- (a) the term 'person' means an individual or entity;
- (b) the term 'entity' means a partnership, association, trust, joint venture, corporation, group, subgroup, or other organization;
- (c) the term 'United States person' means any United States citizen, permanent resident alien, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States;
- (d) the term 'former Iraqi regime' means the Saddam Hussein regime that governed Iraq until on or about May 1, 2003; and
- (e) the term 'coalition authority' means the Coalition Provisional Authority under the direction of its Administrator, and the military forces of the United States, the United Kingdom, and their coalition partners present in Iraq under the command or operational control of the Commander of United States Central Command; and
- (f) the term "Development Fund for Iraq" means the fund established on or about May 22, 2003, on the books of the Central Bank of Iraq, by the Administrator of the Coalition Provisional Authority responsible for the temporary governance of Iraq and all accounts held for the fund or for the Central Bank of Iraq in the name of the fund.

Sec. 5. I hereby determine that the making of donations of the type specified in section 203(b)(2) of IEEPA (50 U.S.C. 1702(b)(2)) by or to person determined to be subject to the sanctions imposed under this order would seriously impair my ability to deal with the national emergency declared in Executive Order 13303 and expanded in scope in this order and would endanger Armed Forces of the United States that are engaged in hostilities, and I hereby prohibit such donations as provided by section 1 of this order.

Sec. 6. For those persons listed in the Annex to this order or determined to be subject to this order who might have a constitutional presence in the United States, I find that because of the ability to transfer funds or other assets instantaneously, prior notice to such persons of measures to be taken pursuant to this order would render these measures ineffectual. I therefore determine that for these measures to be effective in addressing the national emergency declared in Executive Order 13303 and expanded in scope in this order, there need be no prior notice of a listing or determination made pursuant to section 1 of this order.

Sec. 7. The Secretary of the Treasury, in consultation with the Secretary of State, is hereby authorized to take such actions, including the promulgation of rules and regulations, and to employ all powers granted to the President by IEEPA and UNPA as may be necessary to carry out the purposes of this order. The Secretary of the Treasury may redelegate any of these functions to other officers and agencies of the United States Government, consistent with applicable law. All agencies of the United States Government are hereby directed to take all appropriate measures within their authority to carry out the provisions of this order.

Sec. 8. The Secretary of the Treasury, in consultation with the Secretary of State, is authorized to determine, subsequent to the issuance of this order, that circumstances no longer warrant inclusion of a person in the Annex to this order and that such person is therefore no longer covered within the scope of the order.

Sec. 9. Nothing in this order is intended to affect the continued effectiveness of any rules, regulations, orders, licenses, or other forms of administrative action issued, taken, or continued in effect heretofore or hereafter under 31 C.F.R. chapter V, except as expressly terminated, modified, or suspended by or pursuant to this order.

Sec. 10. This order shall not apply to such property as is or may come under the control of the coalition authority in Iraq. Nothing in this order is intended to affect dispositions of such property or other determinations by the coalition authority.

Sec. 11. This order is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the United States, its departments, agencies, instrumentalities, or entities, officers or employees, or any other person.

Sec. 12. This order is effective on 12:01 a.m. eastern day light time on August 29, 2003.

Sec. 13. This order shall be transmitted to the Congress and published in the Federal Register."

THE ANNEX HAS BEEN INCORPORATED INTO OFAC'S LIST OF SPECIALLY DESIGNATED NATIONALS AND BLOCKED PERSONS. EACH ENTRY IS STYLED "[IRAQ2]".

Identifying information with respect to each person listed in the Annex reflects information recently available and is provided solely to facilitate compliance with the order. Each person listed in the Annex remains subject to the prohibitions of the order notwithstanding any change in title, position, or affiliation, unless and until such person is subject to a determination pursuant to section 8 of the order.

This document is explanatory only and does not have the force of law. The Executive Orders and implementing regulations dealing with Iraq contain the legally binding provisions governing the sanctions and this document does not supplement or modify those Executive Orders or regulations.

The Office of Foreign Assets Control also administers sanctions programs involving Libya, certain targets in the Western Balkans, Cuba, North Korea, Iran, Syria, Sudan, Burma (Myanmar), Zimbabwe, highly enriched uranium transactions, diamond trading, designated terrorists and international narcotics traffickers, Foreign Terrorist Organizations, and designated foreign persons who have engaged in activities relating to the proliferation of weapons of mass destruction. For additional information about these programs or about the Iraqi sanctions program, please contact the:

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